

Message Text

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SUBJ: OSSOLA ON REPATRIATED CAPITAL

1. FOREIGN TRADE MINISTER OSSOLA WAS RECENTLY INTERVIEWED IN /L'ESPRESSO/CONCERNING THE EFFECT OF THE 1976 LAW (LAW 159 AS AMENDED BY LAW 689) WHICH ESTABLISHED CRIMINAL PENALTIES FOR ILLEGALLY EXPORTING CAPITAL AND WHICH PROVIDED A TEMPORARY AMNESTY ON THE REPATRIATION OF SUCH CAPITAL. THE INTERVIEW WAS PROMPTED BY THE CURRENT FINANCIAL SCANDAL INVOLVING THE CREDIT SUISSE BRANCH AT CHIASSO WHICH HAS MANY ITALIAN DEPOSITORS. THE FOLLOWING IS AN UNOFFICIAL TRANSLATION OF PERTINENT PARTS OF THE INTERVIEW.

2. WHAT EFFECT HAS THE (CAPITAL FLIGHT AMNESTY) LAW HAD?
HOW MUCH HAS REPATRIATED CAPITAL AMOUNTED TO?

3. A. THE RETURN THROUGH OFFICIAL CHANNELS HAS BEEN 500 BILLION LIRE...AN EXAMINATION OF THREE QUARTERS OF THE DECLARATIONS (EFFECTED UNDER THE AMNESTY) INDICATE THAT WE SHOULD HAVE AN ADDITIONAL INFLOW OF ANOTHER 300 BILLION LIRE, DERIVED FROM THE REPATRIATION OF LOANS TO FOREIGNERS AND THE SALE OF FOREIGN
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SECURITIES. TO THESE AMOUNTS MUST BE ADDED ABOUT 300 BILLION LIRE IN FALSE LIABILITIES TO FOREIGNERS THAT HAVE BEEN CANCELLED AVOIDING THEREBY AN OUTFLOW OF FUNDS THAT WOULD HAVE TAKEN PLACE OTHERWISE. THEN, IF ONE TAKES INTO ACCOUNT THE FACT THAT A LOT OF CAPITAL RETURNED ANONYMOUSLY, WITHOUT ANY DECLARATION, I THINK THE LAW IN QUESTION SHOULD YIELD THE COUNTRY AN AMOUNT NOT FAR FROM 1,300 TO 1,500 BILLION LIRE.

4. Q. BESIDES CAPITAL PHYSICALLY HELD ABROAD, THERE ARE MANY INVESTMENTS IN ITALY THAT ARE HELD UNDER FALSE NAMES ABROAD. IN THIS AREA, HAVE THERE BEEN ANY EFFECTS?

5. A: I WOULD SAY THAT ALMOST ALL THE DISGUISED FOREIGN INVESTMENTS OF INDIVIDUALS (BUT NOT OF FIRMS SINCE THEY WOULD HAVE RUN RISKS OF BEING LIABLE FOR FALSIFYING THEIR BALANCE SHEETS) HAVE BEEN RENATIONALIZED., BECAUSE THE RISK OF DISCOVERY IS NOW TOO GREAT. OVERALL IT IS ESTIMATED THAT SECURITIES AND PARTICIPATIONS IN FIRMS, TO SAY NOTHING OF FIXED INVESTMENTS, IN THE AMOUNT OF 1,200 BILLION LIRE HAVE RE-NATIONALIZED. THE FISCAL MAP OF ITALY IS NOW MUCH MORE UP-TO -DATE AND TRANSPARENT, WITH OBVIOUS BENEFITS IN TERMS OF TAX EQUITY.

6 . Q. BUT HAS THE LAW EFFECTIVELY BLOCKED THE FLIGHT OF CAPITAL?

7. A. IN THINK SO. IT IS ENOUGH TO SEE HOW THE BLACK MARKET RATE HAS BEEN CLOSE TO THE OFFICIAL RATE FOR SOME TIME, WHICH IS ONLY PARTLY ATTRIBUTABLE TO CYCLICAL DEVELOPMENTS. LET US NOT FORGET THAT THE FINAL VERSION OF THE LAW PROVIDES FOR IMPRISONMENT IN ALL CASES IN WHICH THE INFRACTION INVOLVES A SUM GREATER THAN 5 MILLION LIRE, WHILE BEFORE ONE GOT OFF WITH A SIMPLE FINE.GARDNER

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